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THE

Empire Life

INSURANCE COMPANY



ANNUAL REPORT

1965

HEAD OFFICE—KINGSTON, ONTARIO

BOARD OF DIRECTORS

HENRY R. JACKMAN, Q.C.

Chairman
Toronto, Ont.

CHARLES P. FELL, LL.D.

President
Toronto, Ont.

HERBERT H. BLAKEMAN, F.S.A., F.C.I.A.

Vice-President and Managing Director
Kingston, Ont.

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Montreal, P.Q.

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Toronto, Ont.

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Toronto, Ont.

HENRY N. R. JACKMAN

Toronto, Ont.

WILLIAM A. MACKINTOSH, C.M.G., Ph.D., LL.D.

Kingston, Ont.

N. DONALD McDONALD, M.B.E., F.L.M.I.

Kingston, Ont.

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Toronto, Ont.

THOMAS OAKLEY

Bobcaygeon, Ont.

ARTHUR PEDOE, F.I.A., F.S.A., F.C.I.A.

Toronto, Ont.

THE
Empire Life
INSURANCE COMPANY

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DIRECTORS' REPORT FOR THE YEAR 1965

Your Directors have pleasure in presenting the forty-third Annual Report on the operations of the Company. The balance sheet as of 31 December, 1965 and the revenue statement for 1965 are included and form part of this report.

Measured by almost any standard, Canada's economy has witnessed one of its most buoyant years. The gross national product, at over \$51 billions, shows an increase of about 9% and, despite the fact that a third of this gain is due to inflationary influences, this is a particularly satisfying result when one considers that it marks almost five years of continuous growth without a major correction. Although the outlook for our economy over the next twelve months may be viewed with general optimism, there are several limiting factors. The shortages of skilled labour and material, combined with a tightening of the money supply are causing deferment of some construction projects. Also, there are likely to be moderate reductions of capital investment by some U.S. subsidiaries in Canada to accommodate the U.S. balance of payments deficit. This combination of circumstances is not entirely without benefit to Canada, since it will tend to ease inflationary pressures on our already over-strained economy and to restrain the size of our current account deficit. This assessment indicates that we may expect some levelling off in our rate of economic growth during this year, but, if our problems are effectively managed, the expansionary forces of capital spending and consumer demand are capable of bringing about a steady gain in productivity.

This general business prosperity has been reflected in the progress of the life insurance industry during 1965. Purchases of new life insurance for the year show an increase of some 12% over the previous year. Ownership of life insurance by Canadians has now grown to the level of \$15,000 per family. Each extension of social security to a major new area reduces the incentive to maintain individual savings programs. With the introduction of the Canada Pension Plan, the life insurance companies are faced with the revision of existing pension plans of many of their clients to integrate them with government plans. This is a complicated and costly adjustment which, as yet, is only partially completed. Following this development a vigorous sales promotional effort on the part of the industry will be required to maintain as premium volume its share of the personal

disposable income of Canadians and to provide for them more adequate pension coverage.

The facilities of this Company are designed for the sale and for the service of insurance on both an individual and a group basis including life insurance, pensions and annuities, and disability benefits. These are areas in which the administration and investment of policyowners' funds are trustee responsibilities of the utmost importance. In the discharge of these functions the Company continues to display a high degree of initiative and capability.

NEW BUSINESS AND INSURANCE IN FORCE

New life insurance placed in force by our field organization in 1965 totalled \$93 millions in net amount, being an increase of 7% over the previous year. The volume of new sales for ordinary business was only slightly in excess of 1964 and group sales were up by 33%.

The total business in force is 79,083 policies for an amount in excess of \$565 millions, excluding business reinsured with other companies. Sterling business is included at a rate of exchange below the current level. The business in force is comprised of ordinary life insurance \$440 millions and group insurance \$125 millions. The net increase of business in force for the year is \$75 millions.

ASSETS

The assets of the Company, which support its policy obligations, increased by \$5,899,479 to reach a total of \$64,529,792. The proportion of the assets in each of the several investment categories and the changes from 5 years ago are indicated in the following schedule:

	1960	1965
Bonds and debentures.....	46.7%	25.6%
First mortgage loans on real estate.....	40.7	60.0
Preferred and common stocks.....	4.4	6.9
Policy loans.....	6.5	6.3
Real estate.....	1.3	1.2
Cash.....	.4	.0
	100.0%	100.0%

Of the new funds generated by our business operations a substantial portion was again invested in mortgage loans on residential and commercial properties, with the balance going into stocks. The segregated investment fund, which is primarily an equity fund, is not included in the foregoing schedule. The aggregate market value of the security portfolio substantially exceeds the book value stated in the balance sheet.

The net rate of interest earned on the invested assets, after allowance for investment expenses, was 5.89%, an increase of 0.02% over the previous year.

POLICY RESERVE AND OTHER LIABILITIES

The liability of the Company under its obligations for future payments to policyowners is \$51,978,640. The amount of these reserves represents the present value of benefits guaranteed less future premiums and interest. The reserves are based upon assumed factors of mortality and interest much more stringent than those required by statute, giving added strength to the Balance Sheet. Other liabilities relating to policy contracts, i.e., amounts on deposit with the Company, claims in process of settlement or unreported at the year end and sundry items are represented by an amount of \$3,103,766.

The Staff Pension Fund has increased to \$1,402,464, while taxes and other accrued expenses and liabilities account for \$623,254.

REVENUE AND SURPLUS

The total net income for the year amounted to \$14,020,479, an increase of \$1,044,427 over the previous year. Of this amount the premiums were \$10,375,825 and the investment income \$3,485,430.

Benefit payments made to policyowners and beneficiaries, together with amounts set aside for them, were \$9,354,636. The amount paid to living policyowners was \$2,955,518 and death claims were \$1,814,495. The rate of mortality for 1965 was more favourable than that of the previous year.

For 1965 there was a substantial addition to the Company's unallotted surplus. For the protection of policyowners, in excess of the normal reserves, there is a margin of \$7,280,176 available by way of contingency and special reserves, capital stock and unassigned surplus.

SHAREHOLDERS

Effective on 18th June 1965 the paid-up capital of the Company was doubled by the application of the capital surplus formerly appearing in the Balance Sheet together with sufficient tax-paid surplus to cover this transaction.

A dividend of 60 cents per share, payable 25th February 1966 to shareholders of record 4th February 1966 has been declared by your Board of Directors.

GENERAL

The directors desire to express their appreciation to the office staffs and field force of the Company for their loyal and capable services which are reflected in the excellent results of the year's operations.

On behalf of the Board of Directors,

CHARLES P. FELL, President.

BALANCE SHEET

ASSETS

	1965	1964 (For Comparison)
CASH.....	\$ 1,100	\$ 64,847
BONDS AND DEBENTURES.....	16,172,062	16,780,831
FIRST MORTGAGES ON REAL ESTATE.....	37,947,702	32,327,158
PREFERRED AND COMMON STOCKS.....	4,399,015	3,742,214
REAL ESTATE (less amounts written off for depreciation)		
HELD FOR THE PRODUCTION OF INCOME.....	177,713	191,369
HELD FOR SALE.....		18,593
HEAD OFFICE AND BRANCH PREMISES.....	599,591	589,536
LOANS ON POLICIES.....	3,968,240	3,801,399
OUTSTANDING PREMIUMS.....	558,020	540,082
INTEREST, DUE AND ACCRUED.....	559,891	561,834
SEGREGATED INVESTMENT FUND.....	141,492	
ALL OTHER ASSETS.....	4,966	12,450

Notes:

1. The basis of valuation of invested assets is cost or amortized value, less amounts written off from time to time, and the resulting book values are not in excess of the values authorized by the Association of Superintendents of Insurance of the Provinces of Canada.
2. Effective from July 1st 1965, the Company grant portion of the Staff Pension Fund is being invested in the Segregated Investment Fund.
3. The authorized capital stock consists of 200,000 shares of a par value of \$10.00 each, of which 64,048 shares are outstanding and fully paid up. During the year the Company's capital surplus of \$312,905 together with \$7,335 of its tax-paid undistributed income was applied by way of a stock dividend to increase the paid-up capital by 32,024 shares. Supplementary letters patent were issued during the year increasing the authorized capital stock to 200,000 shares.

<u>\$64,529,792</u>	<u>\$58,630,313</u>
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CHARLES P. FELL, *President.*

H. H. BLAKEMAN, *Vice-President & Managing Director.*

To the Shareholders of
The Empire Life Insurance Company:

AUDITOR

We have examined the balance sheet of The Empire Life Insurance Company as at December 31, 1965 for the year ended on that date. Our examination included a general review of the accounting practices in the circumstances.

Accepting the certificate of the Company's Actuary for the actuarial liability under insurance and balance sheet and accompanying statements of revenue and expenditure, unallotted surplus and company as at December 31, 1965 and the results of its operations for the year ended on that date.

Toronto, Canada, January 17, 1966.

CEMBER 31, 1965

LIABILITIES

	1965	1964 (For Comparison)
POLICY RESERVES.....	\$51,978,640	\$47,692,173
This is the amount which with interest and future premiums is actuarially calculated to be sufficient to provide for all payments under insurance and annuity contracts.		
PROVISION FOR UNPAID AND UNREPORTED CLAIMS.....	1,124,985	793,697
AMOUNTS LEFT WITH THE COMPANY AT INTEREST.....	1,978,781	1,757,279
Policy proceeds, dividends, etc.		
BANK OVERDRAFT, NET, REFLECTING FORWARD INVESTMENT OF NEW FUNDS.....	183,218	
STAFF PENSION FUND (note 2).....	1,402,464	1,297,266
See also segregated investment fund below		
PREMIUM AND OTHER TAXES PAYABLE.....	85,721	59,376
ACCOUNTS PAYABLE, AGENTS' CREDIT BALANCES AND OTHER AMOUNTS DUE AND ACCRUED.....	200,086	168,393
AMOUNTS RECEIVED, NOT YET ALLOCATED.....	154,229	82,166
SEGREGATED INVESTMENT FUND (note 2).....	141,492	101,858
Including \$35,913 belonging to Staff Pension Fund		
	<u>\$57,249,616</u>	<u>\$51,952,208</u>
SURPLUS, SPECIAL RESERVES AND SHAREHOLDERS' FUNDS:		
Provision for profits to policyowners.....	1,666,000	1,485,000
Capital stock, fully paid (note 3).....	640,480	320,240
Capital surplus.....		312,905
Shareholders' surplus.....	91,901	78,706
General reserve for investments and contingencies.....	1,000,000	1,000,000
Unallotted surplus.....	3,881,795	3,481,254
	<u>\$ 7,280,176</u>	<u>\$ 6,678,105</u>
	<u>\$64,529,792</u>	<u>\$58,630,313</u>

REPORT

1965 and the statements of revenue and expenditure, unallotted surplus and shareholders' surplus and such tests of accounting records and other supporting evidence as we considered necessary

uity contracts and certain other liabilities to policyowners, we report that, in our opinion, the above holders' surplus, as supplemented by the footnotes thereto, present fairly the financial position of the

Thorne, Mulholland, Howson & McPherson
Chartered Accountants.

STATEMENT OF REVENUE AND EXPENDITURE

YEAR ENDED DECEMBER 31, 1965

	1965	1964 (For Comparison)
Revenue:		
Premium income.....	\$10,375,825	\$ 9,641,747
Consideration for settlement annuities.....	62,624	41,428
Investment income, less investment expenses.....	3,485,430	3,176,839
Staff pension fund contributions and grants.....	94,067	113,999
Miscellaneous income.....	2,533	2,039
	<u>\$14,020,479</u>	<u>\$12,976,052</u>
This revenue was used for:		
Death Claims.....	1,814,495	1,759,083
Matured endowments.....	518,914	514,526
Disability claims.....	11,202	7,544
Annuity payments.....	83,831	71,920
Payments under settlement annuities.....	69,166	73,165
Surrender values.....	1,788,320	1,519,979
Interest credited to amounts on deposit.....	87,707	79,895
Dividends to policyowners.....	484,085	439,951
Increase in provision for future dividends.....	181,000	179,672
Increase in actuarial reserve.....	4,286,467	3,911,229
Total paid or credited to policyowners and beneficiaries.....	\$ 9,325,187	\$ 8,556,964
Interest on claims.....	29,449	18,753
Taxes, excluding corporation and investment taxes..	204,165	182,475
Commissions.....	1,153,106	1,153,337
Directors' fees.....	13,137	10,675
Operating expenses.....	2,623,634	2,401,425
Increase in staff pension fund.....	105,198	123,821
Payments from staff pension fund.....	66,062	56,925
	<u>\$13,519,938</u>	<u>\$12,504,375</u>
Net revenue for year before undernoted items.....	\$ 500,541	\$ 471,677
Profit on sale of securities.....	\$ 9,586	\$ 49,225
Amount written off securities held.....	9,586	49,225
Transferred to unallotted surplus.....	<u>\$ 500,541</u>	<u>\$ 471,677</u>

SHAREHOLDERS' SURPLUS

YEAR ENDED DECEMBER 31, 1965

Balance, beginning of year.....	\$ 78,706
Add Transferred from unallotted surplus.....	100,000
Deduct:	\$178,706
Dividends paid.....	\$32,024
Provision for taxes on income.....	47,446
Transferred to capital stock, fully paid.....	7,335
Balance, end of year.....	<u>\$ 91,901</u>

UNALLOTTED SURPLUS

YEAR ENDED DECEMBER 31, 1965

Balance, beginning of year.....	\$3,481,254
Add Transferred from statement of revenue and expenditure.....	500,541
	<u>\$3,981,795</u>
Deduct:	
Transferred to shareholders' surplus.....	100,000
Balance, end of year.....	<u>\$3,881,795</u>



Progress

(000 omitted)

	★	★	★	★
	Premium and Interest Income	Reserves for Policyowners	Total Assets	Insurance in Force
1923 — \$ 22	\$ 6	\$ 108	\$ 1,174	
1928 — 242	303	699	9,139	
1933 — 584	1,977	2,526	16,115	
1938 — 1,478	8,534	9,400	37,918	
1943 — 1,742	10,494	11,993	47,827	
1948 — 2,656	14,212	16,777	83,145	
1953 — 4,234	19,736	23,006	130,437	
1958 — 6,827	28,860	34,771	231,456	
1963 — 11,341	43,780	53,796	420,000	
1964 — 12,818	47,692	58,630	490,000	
1965 — 13,861	51,979	64,530	565,000	
	★	★	★	

OFFICERS AND ADMINISTRATIVE STAFF

HENRY R. JACKMAN, Q.C.

Chairman of the Board

CHARLES P. FELL, LL.D.

President

HERBERT H. BLAKEMAN, F.S.A., F.C.I.A. *pres*

~~Vice-President~~ and ~~Managing-Director~~

N. D. McDONALD, M.B.E., F.L.M.I.

Agency Vice-President

J. S. DELAHAYE, M.D.

Vice-President and Medical Officer

W. H. AITKEN, F.S.A., F.C.I.A.

Vice-President and Actuary

E. W. KAITTING, F.L.M.I.

Vice-President and Secretary

R. BALTRUWEIT, F.L.M.I.

Controller

G. D. DeRÉ, A.C.L.U.

Superintendent of Agencies

N. G. BURNSIDE

Underwriting Officer

K. J. HARDING, F.I.A., F.C.I.A.

Associate Actuary

H. N. R. JACKMAN

Executive Assistant, Security Investments

W. H. MERRIAM, C.L.U.

Associate Superintendent of Agencies

J. M. McINNIS, F.L.M.I.

Executive Assistant, Mortgage Investments

H. P. PERGANTES

Assistant Superintendent of Agencies

D. E. SCHLICHTER, A.C.L.U.

Assistant Superintendent, Group

BRANCH OFFICES AND AGENCIES

Branch Offices

Managers

BRITISH COLUMBIA

Vancouver - - - - - F. W. Banks

ALBERTA

Edmonton - - - M. B. Draper, C.L.U., Assistant Agency Vice-President
 Calgary - - - - - D. A. Wight

MANITOBA

Winnipeg - - - - - R. H. Little

ONTARIO

Hamilton }
 St. Catharines } D. Gainini, M.B.E., C.L.U., Assistant Agency Vice-President
 Kingston (St. Lawrence) - - - - - C. J. Lawlor, C.L.U.
 London - - - - - W. A. McCarvell
 Ottawa - - - - - D. G. Fairweather
 Toronto Centre - - - - - *McKenna* J. R. Flynn, C.L.U.
 Toronto West - - - - - R. W. Pogue
 Toronto East - - - - - J. W. Neville
 Toronto Bathurst - - - - - J. H. Green
 Toronto Bayview - - - - - M. C. E. Gregory
 Windsor - - - - - L. Miller

QUEBEC

Montreal - - - - - E. C. N. Lancot, C.L.U.
 Montreal Centre - - - G. D. Shore, Assistant Agency Vice-President
 Montreal St. Laurent - - - G. E. Ouwendyk, C.L.U.
 Quebec - - - - - J. L. Morency
 Sherbrooke - - - - - R. G. Charbonneau
 Trois-Rivières - - - - - L. Pidgeon, C.L.U.

PRINCE EDWARD ISLAND

Charlottetown - - - - - W. B. MacDonald

AGENCIES

Saskatoon, Sask. - - - - - Empire Agencies Limited
 Toronto, Ont. - - - - - A. H. Bickerstaff Limited
 Toronto, Ont. - - - - - Canadian Insurance Services Limited
 Toronto, Ont. - - - - - W. A. Curtis & Company Limited
 Port Hope, Ont. - - - - - Long Bros. Life Agencies Limited
 Montreal, P.Q. - - - - - Castle Insurance Agencies Limited
 Bermuda - - - - - W. C. Roberts
 Jamaica - - - - - Herman A. McCallum & Co.

GROUP OFFICES

Toronto, Ont. - - - - - and - - - - - Montreal, P.Q.

